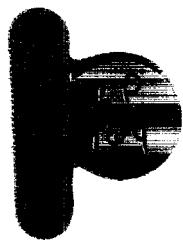


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25 YEAR RE-REVIEW

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MEMORANDUM TO:

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FROM:

IV Branch, D/SC, C/DR

SUBJ-CF:

Czechoslovakian Imports of Industrial Materials ---
IP - 164

This study places emphasis on several aspects of Czechoslovak trade and of that country's dependence on non-Soviet sources of supply, but clearly does not attempt a complete coverage of all phases of the problem. Persons finding occasion to use this study should make reference to the following, which contain valuable background information essential to a proper understanding of the prevailing situation within Czechoslovakia:

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SECRETCzechoslovak Imports of Industrial MaterialsI. Nationalization of Industry and Trade

By the end of 1949, the nationalization of Czechoslovak industry was approaching its final phase, with 97 percent of all industrial capacity (excluding the construction and food processing industries) being under complete state control. This policy of nationalization was carried over into the field of foreign trade and by 1949, private participation in foreign trade had been completely eliminated. This observation is for the purpose of placing in proper context the information to follow with respect to Czechoslovak procurement of strategic commodities from the West.

At the end of 1949, there were some 27 state monopoly trading companies organized to handle the export and import of all types of goods. Their operations include the export and import not only of the finished product but of its raw materials, semi-finished manufactures and auxiliary materials as well. A state-owned international forwarding company has been established to handle all foreign trade shipments. With the exception of the monopoly firms dealing with foreign trade in manganese, solid fuels, and tobacco, foreign trade is completely separate from production. The majority of the monopoly trading firms are authorized to act also as trade agencies and may represent foreign firms. The industrial concerns under analysis are not themselves responsible for procurement of raw materials and machinery used in their respective industry, this responsibility having been delegated to a particular state firm charged with procurement of a specified commodity, say copper, which will be allocated to all Czech industry utilizing this particular raw material.

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II. Nationalized Foreign Trade Firms

A list of the more important Czech firms engaged in foreign trade and the products traded by each follows:

1. VITALINKA — export-import of metals
2. VYHRONIT — export-import of iron products
3. VOLDI —— steel import
4. KOVO —— metal, machinery and raw materials.
5. ZOR-I-ZOM — general export-import
6. CHIMAPOL — chemical products and raw materials
7. LIOHA —— export-import of lumber
8. VYKOC —— leather, rubber and raw materials
9. METRANS — international transport
10. MFKURIA — general export-import coordination

Reports received from time to time are somewhat contradictory and apparently the foreign trade structure is altered to fit changing conditions. It is difficult, therefore, to establish definitely the organizational structure for foreign trade.

III. Principal Industrial Organizations of Czechoslovakia.

In order of importance to the economy of Czechoslovakia, both from the view point of domestic essentiality and from the view point of integration into the Soviet war machine, are the following six major industries:

1. Machinery (including metal and metal working, iron and steel production, electronics, armaments and ammunition). (See Appendix A, #2)
2. Chemicals (including pharmaceuticals, fertilizers, military items, and propellants). (See Appendix A, #3)
3. Textiles (including shoes, leather and rubber production). (See Ap. A, #3)
4. Glass and Building Materials. (Details unknown).
5. Paper and Wood (details unknown).
6. Food processing (details unknown).

The Five Year Plan for the period 1949-1953 contemplates a fundamental reconstruction of industry, with emphasis on the metalworking and engineer-

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ing sectors. By 1950, industrial production is to be increased by 57 percent over 1948 levels, with the metalworking group to make the major advance of 93 percent. Mining and power is to be increased by 38 percent and 52 percent, respectively. Other significant planned increases include, in percentage increase over 1948 levels: metallurgy, 45 percent; chemicals, 61 percent; textiles and clothing, 68 percent; building materials, 69 percent; leather and rubber, 43 percent. The foregoing figures are furnished to indicate the importance attached to various industries by the Czechoslovak government and may, to some degree, indicate in which fields of industry procurement of raw materials and machinery from western sources is deemed essential. It is interesting to note that for the first six months of 1950, the Czechoslovak government claims that the economic plan was exceeded in all industrial branches except automobiles, aircraft, light metal and building materials. Reports indicate that development of industry, with the chemical industry in the forefront, has continued and in the chemical sphere, especially, Czechoslovakia has become somewhat less dependent on foreign sources.

IV. Dependence of Czech Industry on Non-Soviet Sources.

In the postwar period, considerable changes have taken place in the composition of foreign trade. Food imports have increased to an unusually high proportion of total imports, although as in the prewar period, the major imports continue to be raw cotton and wool, nonferrous metals, and iron ore. In 1948 the United States and Western Europe furnished more than 40 percent by value of Czech imports of the more important raw

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materials on which the Czech industrial economy is very largely dependent. In 19 out of 36 categories of major raw materials, Czechoslovakia received from these countries more than 40 percent of its imports in 1948 (see Appendix B, 1948-1949 trade statistics). The major trend in 1949, however, was away from Czechoslovakia's traditional trade with the West, and toward increased commercial relations with the USSR and other countries of the Soviet orbit. The share of the Soviet bloc in total Czech trade, which amounted to 30 percent in 1947 and 37 percent in 1948 (including Yugoslavia), increased to over 45 percent in 1949 (excluding Yugoslavia).

Today although an ever-increasing proportion of Czech raw material industrial requirements come from the Soviet bloc, there is concrete evidence of continued Czech dependence on non-Soviet sources.

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[redacted] the principal shortages in the Czech metal industry are copper, lead, ferrochrome, cobalt, tin, wolfram, molybdenum, cadmium, ferrawolfram, graphite electrodes and bearings.

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[redacted] the western countries would cripple Czech industry by strictly enforcing export control of these items.

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[redacted] Czech inability to fulfill orders is due in part to extreme shortages of vanadium and nickel, in addition to those listed above.

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Typical examples of such dependence follow:

1. Under the trade agreement of April 5, 1950, India was to furnish manganese ore, raw jute and mica (among others).
2. Information as of October 23 indicates that Mexican exports to Czechoslovakia are to include copper, steel, lead, zinc, tin, cotton, coffee and cacao. Although there were no commitments

as to the quantities to be exported, Mexico is understood as having agreed not to place any obstacles in the way of exports.

3. During 1948, Czech requirements for copper were partially filled from Norway, Canada, Mexico and Belgium; zinc from Belgium, tin from Holland; and aluminum from Switzerland.

4. Czech fiber and textile imports:

a. In 1949, Czech wool imports (in 1,000 lbs actual weight) were from the following countries: France, 5,000; Argentina, 1,100; Australia, 5,500; New Zealand, 2,500; Uruguay, 400; England, 2,100.

b. During 1947, cotton imports were from the U.S., Egypt, India and Brazil; Belgium was the chief source of flax; hemp from Italy and Yugoslavia; rayon filament yarn from the Netherlands, Sweden and Norway.

c. By the end of 1950, Czech textile raw material requirements (in metric tons), now from other than domestic sources and the Soviet bloc, are estimated to be: cotton and cotton waste, 40,000; wool, 15,000; silk and rayon filament, 5,000; staple fiber, cotton type, 5,000; flax and hemp, 1,000; jute, 32,000.

- d. Under terms of the most recent trade agreement with Norway, Czechoslovakia is to receive 1,500 tons of ferro alloys, consisting of 1,000 tons of ferrosilicon, as well as 500 tons of aluminum.

- e. The Dutch-Czech agreement for the period ending September 30, 1951 provides for Dutch export of a list of four items, including industrial diamonds, which are included in either the International or U.S. export control lists.

- f. The Finnish-Czech agreement for the period ending September 30, 1951 provides for Czech imports of wood products and cork. Imports of machinery are to be on an increasingly large scale with one-third of Finland's exports of this item destined for Czechoslovakia.

- g. Czech dependence on Swedish exports is reflected in the following list of representative items included in the 1950 Swedish-Czech trade agreement: synthetic resins, fatty acid, quartz, iron ore, pyrites, battery chemicals, glycol, arsenic compounds, pharmaceutical specialities, charcoal pig iron, ferro alloys, ball bearing steel, conveyor belts, ball and roller bearings and parts, railway axle boxes, lumber, shoe and dairy machinery, electric automotive equipment, tungsten and molybdenum wire, telephone material, electrical equipment, surgical and dental instruments,

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9. Italy, under terms of current and proposed trade agreements with Czechoslovakia, will reportedly export the following items (among others): ball bearings, cash registers, trucks and vans, machinery, excavators, typewriters, electric cable and conductors, auto tires and tubes, enamelled wire, rayon yarn (including high-tension yarn for tires), cottons and woolens, cork, sulfur, and hemp.
10. Under terms of trade agreements with Western Germany, Czechoslovakia imported several items of strategic importance during 1949 and 1950 (see Appendix B).
11. For the year ending August 15, 1950, Argentine exports to Czechoslovakia were to include (in millions of crowns): cattle hides, 734; wheat and corn, 275.5; quebracho extract, 104; wool, 89.5; linseed oil, 30.

V. Western firms and Czech agents engaged in providing essential materials to Czech industry

As previously indicated, trade between Czechoslovakia and the West is not carried on in the traditional foreign trade pattern nor by historically accepted procedures. Nationalized foreign trade firms are responsible for procurement and funnelling of equipment and raw materials to nationalized Czech industries and for this purpose have established agencies throughout the western world. Shortages of strategic materials have necessitated the utilization of facilities of individual traders in western countries to attempt evasion of export controls exercised by the western powers. To accomplish this evasion, bribery of government officials in the West has been attempted and at times has been reportedly successful.

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APPENDIX A

Reference No. 1, Page 2.

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a. SKODA, the largest unit of this type in Czechoslovakia, produces armament of all types, tractors and various machinery.

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Lack of ball bearings, copper and structural steel is a production obstacle.

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b. KOLBECI-DANEK, the second largest metal working concern, produces tractors, automobiles, aircraft engines, steam engines, mining and smelting equipment, dredges, etc. Coal for its operations comes from Northern Bohemia, steel from Kladno, raw iron from Praha and Moravská Ostrava.

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c. PUDI works, located in Kladno, produces high alloy steels and heavy tanks.

d. RINGOFFER TATRA works, located in Prague and K prívence, produces armaments for the Soviets, including trucks, automobiles, and airplane engines.

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e. ZBROJOVKA ARMS COMBINE, located in Brno and Vsetin, produces tools, machinery and arms of all kinds.

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f. TINNEC STEEL WORKS reportedly produces one-third of Czech steel material for rail and automobile industries.

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g. TESLA ELECTRONIC DEVELOPMENT enterprise is made up of 100 factories, producing low voltage equipment, radio sets, tubes, blind flying apparatus and radar. Raw material procurement as follows: nickel products; Stipakov (US), Eynstone (UK); minitubes; (France), Salve (Switzerland); magnesium; (France); sironon; (France); molybdenum; Phillips (Holland), Metallwerke Flansee (Austria); tungsten; (Hungary).

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Reference No. 2, Page 2.

ITALIN WORKS, one of the largest producers of synthetic fuels in the world.

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Reference No.3, Page 2

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TATA ZLIN ENTERPRISES, the major shoe and rubber unit.

TATA obtains ball bearings from Sweden, sulfur from Italy, carbon black from various western sources, raw hides from Argentina, raw rubber of Malayan origin, and synthetic rubber from Ostrakovice.

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~~SECRET~~APPENDIX BA. Czechoslovakia Trade with US and Western European Countries 1948 and 1949.

		<u>Imports</u>			
<u>Country</u>	<u>1948</u>	<u>1949</u>	<u>Country</u>	<u>1948</u>	<u>1949</u>
UK	1,819,738	1,050,600	Netherlands	2,035,364	1,165,195
Belgium	1,156,021	1,433,300	Norway	468,306	718,910
Denmark	503,374	322,631	Sweden	1,995,912	1,279,022
France	930,807	1,226,243	Switzerland	1,784,185	1,035,988
Ger. (West)	323,546	630,000	UK	3,816,145	1,174,462

All values in thousands of Czech Kcs.

B. West German Foreign Trade with Czechoslovakia, in thousands dollars:

<u>Exports to:</u>	<u>1949</u>	<u>1950 (1st quarter)</u>
Hops	78	-
Fats, edible	161	26
Wool and animal hair	723	269
Potash, crude	236	-
Stones and earths	455	35
Scrap iron	950	303
Non ferrous metals and algs	125	114
Paraffin, waxes, etc.	206	99
Chemical algs	4,205	237
Paper and pulp	312	162
Pottery, china, glass	82	5
Iron and steel mill products	568	694
Cutlery, tools, finished iron products	657	46
Machinery	2,962	1,193
Machine tools	1,360	685
Power units (non elec.)	412	232
Automotive vehicles and parts	239	78
Electro-technical equipment	866	278
Fine mechanical and optical equipment	278	11
Other	1,443	137
TOTAL	14,556	3,737

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